

The new rules for measuring supply chain sustainability



How will the Covid-19 crisis impact corporate sustainability? Many [academics](#) and [business leaders](#) have already reflected on this question and more are sure to follow. While opinions vary, it is clear the pandemic [could change](#) corporate sustainability as we know it.

A [recent survey](#) of senior sustainability professionals from 102 companies found that only 2% felt the crisis would not have any implications for their companies' sustainability activities. The biggest impacts were expected with respect to the companies' efforts on [sustainable supply chains](#).

The pandemic's impacts on sustainable supply chains are potentially wide-ranging. For example, [governments](#), [companies](#), and [consumers](#) have been repeatedly urged to re-evaluate the resilience of their supply chains, including their visibility, flexibility, and redundancy. A [World Economic Forum](#) article argues that the crisis underlines the need for a stronger focus on continuous improvement, transparency, and shared responsibility in supply chains.

As sustainable supply chain initiatives change, the pandemic will also compel companies to re-think how they [measure](#) the performance of those initiatives. Reliable, accurate metrics that reflect the current status of a supply chain are needed to guide action in this time of rapid change. While sustainability metrics will likely continue to [vary widely](#) between supply chains, the Covid-19 crisis also has a number of general implications for measurement in this area.

Going forward, companies should consider the following:

1. **Raise the prominence of supply chain resilience.** The ability of a supply chain to respond to unexpected shocks has taken on new [urgency](#). The need to reconsider assumptions on just-in-time delivery and measures of appropriate inventory levels have been [widely noted](#), but a renewed emphasis on resilience has many other [implications](#) for measurement. For example, companies may need to identify concerns regarding geographic clustering of suppliers in areas particularly vulnerable to [climate change](#).
2. **Reassess performance trade-offs.** Trade-offs between conflicting objectives, such as cost, working conditions, and environmental performance, are [common](#) in sustainable supply chain management. Metrics help make these trade-offs clear. The pandemic underscores the need for companies to [revisit](#) the trade-off decisions they've previously made. This could mean rethinking how metrics are interpreted by giving, for example, greater weight to resource stability, workplace safety, or emergency preparedness for key parts of the supply chain.

3. **Move towards measures of real-time performance.** Most existing metrics provide retrospective measures of sustainability performance, meaning decisions are being made using out-of-date information. The ability to measure performance in real-time, however, is becoming a reality through the use of [technologies](#), such as cheaper, more reliable drones and sensors. For example, satellite imaging is already being used to monitor real-time changes in [forest cover](#), while social media and other apps are increasingly being used to [monitor working conditions](#).
4. **Go beyond the first tier of suppliers.** Companies reasonably focus much of their attention on the suppliers they directly interact with. However, many of a company's most important impacts can happen [deep in the supply chain](#). Yet, these suppliers are often [poorly equipped](#) to address sustainability requirements. The pandemic highlights the need for metrics that emphasise greater supply chain [visibility](#). This will help companies better understand their potential vulnerabilities, as well as make a full accounting of their supply chain's true sustainability impacts.
5. **Link measures to the wider world.** Finally, the Covid-19 crisis has underlined that supply chains are [embedded](#) in larger economic, environmental, and social contexts. The sustainability of a supply chain cannot be assessed without [explicit reference](#) to that broader context. Metrics must therefore focus on linking a supply chain's sustainability performance to external reference points, whether they be focused on [climate change](#), [water usage](#), or a global pandemic. Assessing a supply chain's performance relative to itself or to that of a competitor is important, but could miss the bigger picture.

No doubt, many companies were already doing some of these things prior to the pandemic. The crisis underscores, however, the need to broaden and accelerate these efforts. Additionally, none of these guidelines can be pursued in a vacuum. For example, [collaboration](#) with suppliers throughout the chain will become more important than ever. This will require investments in supplier capacity, as well as shared data collection, reporting, and analysis capabilities.

Covid-19 has disrupted many previous assumptions in [corporate sustainability](#) and [supply chain management](#). It has also reminded us all, yet again, that change is the one constant in sustainable supply chains. Knowing that no response will be perfect, it is time to regroup, reassess what matters most through improved measurement, and begin to build more sustainable, resilient supply chains.



Notes:

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Cory Searcy is professor of industrial engineering and environmental applied science & management at Ryerson University. His research focuses on sustainable supply chains, performance measurement, and auditing. He is currently serving as the vice-provost and dean of graduate studies at Ryerson.



Payman Ahi is full sessional lecturer of global management studies in the Ted Rogers School of Management at Ryerson University. His research focuses on sustainable supply chains, sustainability metrics, and sustainable business practices.